



***New York Excess
Claim Management
Department***

American International Underwriters
70 Pine Street -14/72
New York, NY 10270
Phone: (212) 770-3696
Fax: (212) 509-9161

BBWSF

12.11.8

01/06/98

Lowenstein, Sandler, Kohl, Fisher & Boylan
65 Livingston Ave.
Roseland, N.J. 07068-1791

Attn: David M. Wissert

Re: Group R Co./Marmon Group
Policies: 75-101660 & 75-101539

Gentlemen:

We are in receipt of your correspondence of 11/24/97 attaching photocopies of the above captioned policies. We also received your most recent letter of 12/16/97.

As we advised in our correspondence of 11/13/97, the policies you have furnished are what we suspected, they are high excess policies that follow form to underlying insurance issued by other companies. These excess policies have no defense obligation until any and all Self-Retained limits, deductibles, primary insurance and underlying limits are exhausted by way of actual payment or court order.

As yet, we have not been able to confirm issuance of the photocopied policies or confirm that they remained in effect for the period issued. We are also not in receipt of any of the underlying policies to which they supposedly follow form. At this point, we are not in a position to determine if Group R Co. is entitled to coverage consideration as you allege. We note that Reed Shaw & Stenhouse acted as the insured's broker for policy 75-101660 and that NBA Excess & Surplus Lines, Inc. acted in a similar capacity for policy 75-101539. Perhaps, you should contact these insured representatives and they will be able to furnish copies of other policies claimed related.

The relatedness of Group R Co. to the Marmon Group remains in question as well as whether any Marmon Group policy was ever intended to cover Group R. We have additional coverage questions related to the terms and conditions of the primary and underlying policies to which the AIU policies follow form and whether these other policies have accepted coverage as you requested.

LOWENSTEIN, SANDLER



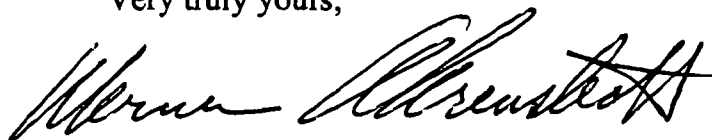
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GRP "R" CDA dm - 0050

LS 003602

In view of the unsettled state of the coverages, the AIU wishes to issue a general reservation of rights that will permit it to continue its coverage search for the policies and at the same time preserve its right to discontinue its investigation and to deny coverage.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Werner Ahrenstedt', with a stylized, cursive script.

Werner Ahrenstedt